MONTHLY PRICE AND FOOD SECURITY UPDATE
FEBRUARY 2011
Country: INDONESIA

HEADS-UP NOTES

- Rice is the staple food for Indonesians, comprising more than 50 percent of their diet. Poor households spend more than 20 percent of their monthly expenditure on rice in lean season.
- In January 2011, national average price of rice continued to increase and reached a record level of IDR 9,244 (USD 1). This is 23.3 percent higher than the same month of 2010 and 33.2 percent higher than December 2009.
- Every year the market price of rice peaks in January and February and decreases in March to May, the country’s main harvesting season. According to the Ministry of Agriculture, next harvesting will be satisfactory level.
- Rainfall in March 2011 is forecast to be normal to high level (85-150 percent of 30 years average) in most areas despite the predicted La Niña condition for the next few months.
- The daily wage of agricultural labourer has been reduced since May 2010 in real price, likely due to the increased basic commodity price. This indicates that the purchasing power of agricultural wage labourer has been eroded.
- A preliminary result of recent food security monitoring in vulnerable areas indicate increased cases of severe coping strategies among the most vulnerable households.
- The price of local rice purchased by WFP went up by 14.3 percent in the past 5 months. The price of fortified biscuits purchased by WFP in February 2011 is 10.5 percent higher than that of February 2010.

MAIN PRICE TRENDS

General inflation
At national level, annual inflation was 6.96 percent in 2010. Food component contributed the most (increased by 15.64 percent), followed by prepared food including beverage and tobacco (6.96 percent) and clothing (6.51 percent). Monthly inflation in January 2011 remains high (0.89 percent) particularly food commodities (2.21 percent) mainly due to a surge in the price of chilli and rice. Reportedly, the prices of two commodities started to go down in February. *(source: National Statistics Bureau)*

Fuel/Oil prices
The price of subsidized gasoline stands at IDR 4,500 (USD 0.5) per liter since 2008. Currently both private and public transportation vehicles can buy subsidized gasoline in major cities in the country. The government plans to limit this only to public transporters, fishermen and motorcycles due to increased global fuel price (Indonesia has become a net oil importer since 2005). This may accelerate inflation. *(source: media)*

Main staple food commodity prices
Rice: In Indonesia, national average price of rice increased by 30.9 percent in 2010. The price continued to rise since May 2010 (Figure 1) and reached a record level of IDR 9,244 IDR/kg (USD 1) in January 2011, **23.3 percent higher compared to the same month last year**. The government of Indonesia decided to import 850,000 MT of rice from Thailand and Viet Nam to boost public rice stocks and stabilize the price.

Other commodities: The prices of key food commodities such as *cooking oil* and *sugar* increased namely by 9.89 percent and 7.23 percent in 2010. This is of concern to the poor households who spend 4-6 percent of their monthly expenditure for sugar and cooking oil. The prices of *chilli* increased significantly in 2010 (55.76 percent) due to unfavorable weather, while wheat price remains stable despite the increasing trend in international market.

![Figure 1: Retail price of rice in Indonesia](Source: BPS, FAO/GIEWS)
OTHER ISSUES IMPACTING ON FOOD SECURITY SITUATION

Crop harvesting: According to the Ministry of Agriculture, next harvesting starting from March will be successful, and total rice production at national level will reach a record high of 65.98 million mt in 2011, despite reported cases of pest outbreak and flooding in some areas in Java.

Climatic conditions: National Agency of Meteorology forecasts that the rainfall intensity in March 2011 will be normal to high level (85-150 percent of 30 years average) in most areas, except Riau, South Sumatera, Lampung, NTT (Kupang) and Yogyakarta provinces where 51-84 percent of average rainfall is predicted (Figure 2).

The latest meteorological models forecast that La Niña condition is likely to continue for the next few months. A forecast model by International Research Institute for Climate and Society shows the approximately 94 percent probability of maintaining La Niña conditions during February-April 2011 (Figure 3). In Indonesia, La Niña phenomenon increases the probability of more abundant rains.

Government responses: Indonesia suspended import duties on rice, soybeans and wheat as part of efforts to secure more supplies and to help ease food prices and fight inflation.

Chief Economic Minister Hatta Rajasa asked BULOG state (procurement agency) to secure imports to gradually boost rice stockpiles to 2 million tons from the current 1.5 million tons, underlining fears shortages could cause price spikes.

Indonesian President Susilo Bambang Yudhoyono has called on people to start planting food at home, and told the World Economic Forum in Davos the next economic war could be over the race for scarce resources, due to growing populations.

PRELIMINARY INSIGHTS ON EFFECTS AT THE HOUSEHOLD LEVEL

Rice is the staple food for Indonesians, comprising more than 50 percent of their diet. Poor households spend more than 20 percent of their monthly expenditure on rice in lean season.

Recent food security assessments and monitoring outcomes in vulnerable areas of the country revealed that the households engaged in subsistence farming (food crop and cash crop) and agricultural wage labour are more vulnerable to food insecurity than other livelihood groups.

The daily wage of agricultural labourer has been increased gradually for the last few years. However, the increase is offset by increased food price. As Figure 4 shows, the wage has been reduced since May 2010 in real price. This indicates that the purchasing power of agricultural wage labourer has been eroded. The latest wage in January 2011 (IDR 28,565 or USD 3) was 6.5 percent lower compared to the same month in 2010.
The preliminary results of WFP/GOI Pilot Food and Nutrition Security Monitoring System (FNSMS) in 4 selected vulnerable provinces based on recently updated WFP/GOI Food Security and Vulnerability Atlas show increased severity of coping strategy among agricultural wage labourer and subsistent food crop farmers (Figure 5). While the main harvest improved their food security, it deteriorated significantly in Nov 2010. The Index is much higher than the same period in 2009, indicating higher severity of food insecurity.

Detailed analysis show that more poor households credited valuable items to obtain food in Nov 2010. Significant deterioration of food consumption was not observed both among both poor and non-poor households.

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